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FOR WHA/BSC AND EB/ABT
USDA FOR FAS/CMP HOWARD WETZEL, APHIS/DEHAVEN

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SUBJECT: FOOT-AND-MOUTH DISEASE HITS ARGENTINA AGAIN

REF: BUENOS AIRES 00333 AND PREVIOUS

Summary

¶1. Argentina has recently confirmed an outbreak of foot-and-mouth disease (FMD). Seventy animals on one ranch in the northeastern province of Corrientes were diagnosed with the disease. Argentina's National Service for Agrifood Quality (SENASA) subsequently destroyed the entire herd of approximately 3,000 animals as a preventive measure. SENASA appears to have acted quickly and transparently in dealing with the outbreak. Eight countries to date, including some of Argentina's biggest beef export markets, have announced restrictions on Argentine beef. The resultant economic losses are difficult to calculate, but could be significant. This outbreak underscores the Southern Cone's vulnerability to this disease and the imperative for Mercosur countries to implement an effective, carefully monitored regional FMD eradication program. A silver lining for the Government of Argentina (GOA) is that the curtailment of exports might help reduce inflation in the price of beef sold domestically, a major GOA concern. End Summary.

The Outbreak

¶2. An outbreak of FMD was detected in the northeastern province of Corrientes the week of February 6. SENASA confirmed the diagnosis in approximately 70 animals on one ranch; all 3,000 cattle on that ranch were subsequently destroyed and disposed of. The ranch's veterinarian, who reported the outbreak to Argentine authorities, said that the infected animals had been domestically bred and properly vaccinated against the disease. However, SENASA officials speculated that the outbreak was a product of contraband cattle that had been smuggled into the country (presumably across the Parana River separating Argentina from Paraguay).

Argentina's Rapid Response

¶3. SENASA President Jorge Amaya declared the outbreak a "national emergency" and oversaw the implementation of a raft

of control and surveillance measures. The disease was confirmed February 7. By then, Amaya had already notified President Kirchner, sent epidemiologists to the scene, halted the movement of animals within the affected area, posted relevant information on SENASA's website (updated daily), and contacted his counterparts in neighboring countries and other major trading partners with the news. Amaya also held a detailed briefing for the diplomatic community in Buenos Aires February 13, and invited representatives from embassies to visit the site of the outbreak so that they could form firsthand impressions of the GOA's response.

SENASA's Response Bolsters its Credibility

¶4. The speed with which SENASA diagnosed and publicized the outbreak stands in sharp contrast to its reactions to a similar situation near the border with Paraguay in 2001, which earned the agency an international reputation for opacity. At that time, SENASA repeatedly mischaracterized a major FMD outbreak to USG and other officials, an approach that eventually led more than sixty countries to prohibit the importation of Argentine fresh beef. Argentina was just beginning to overcome that incident when another, smaller outbreak hit in northern Argentina near the Bolivian border in 2003. SENASA's response to that outbreak was criticized as well, as many observers felt that the agency acted more slowly than it could have in confirming the presence of disease.

The Economic Impact

¶5. Although Argentina has yet to fully recover from the economic effects of those earlier bouts with foot-and-mouth (e.g. large importers like the U.S. and Canada still impose restrictions on Argentine beef), beef exports have taken off over the past several years. According to Argentine statistical agency INDEC, total exports of beef and its byproducts were valued at USD 735 million in 2003, USD 1.23 billion in 2004, and 1.65 billion in 2005. The outbreak poses a threat to those gains, although at this early stage it is difficult to tell to what extent. SENASA believes it has contained the outbreak, but Brazil, Chile, Colombia, Israel, Russia, South Africa, Singapore, and Uruguay have already restricted or banned imports of Argentine beef. The EU, a major importer of Argentine beef, has yet to announce any restrictions but is said to be considering the issue.

¶6. Argentine losses might be mitigated because some of the restrictions already announced have differing degrees of comprehensiveness. That is, Russia and Brazil have banned beef imports only from Corrientes Province. Chile, Colombia, Singapore, and Uruguay have banned Argentine beef exports from all but the Patagonia region, while Israel and South Africa have restricted imports of all Argentine beef. A spread of the outbreak could result in further restrictions. Still, the restrictions already announced are significant: Chile imported almost USD 150 million of Argentine beef in ¶2005. The figure for Russia was approximately USD 330 million, and for Israel USD 67 million. The remaining countries that have imposed restrictions to date comprise less than three percent of Argentina's export market for beef.

Comment

¶7. It appears that SENASA has made a special effort that should polish its reputation by acting quickly to contain the outbreak while providing detailed information to Argentina's public and trading partners. Such transparency is highly positive and is likely to be received favorably by some countries considering restrictions on Argentine beef. However, this outbreak underscores the Southern Cone's

vulnerability to this disease and the imperative for Mercosur countries to implement an effective, carefully monitored regional FMD eradication program. Domestically, this outbreak is not as disastrous as it would appear for the Kirchner Administration. The GOA is concerned about rising inflation (Reftel) that reached 12.3 percent overall in 2005, with beef prices jumping over 30 percent. To increase domestic beef supplies and ease price pressures, the GOA has in the past year eliminated export rebates for beef, raised export taxes on beef from 5 percent to 15 percent, and threatened further increases if prices don't stabilize. The GOA also imposed a beef export registry to limit the export of lower cost cuts to countries like Russia. The silver lining for the GOA of this FMD outbreak is that restrictions on beef exports to some of Argentina's major trading partners should help that inflation-fighting effort. However, foreign companies that have invested in Argentina's beef industry in recent years may be questioning the wisdom of those investments. The last year's negative developments are more than even the most conservative business plan would have anticipated. End Comment.

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